

State of Arizona
House of Representatives
Forty-fifth Legislature
Second Regular Session
2002

CHAPTER 234

HOUSE BILL 2063

AN ACT

AMENDING SECTION 42-14154, ARIZONA REVISED STATUTES; AMENDING LAWS 2000, CHAPTER 384, SECTION 5; AMENDING LAWS 2000, CHAPTER 384, SECTION 7; RELATING TO ELECTRIC UTILITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-14154, Arizona Revised Statutes, is amended to
3 read:

4 42-14154. Computing valuation of electric and gas utility
5 property; definitions

6 A. The valuation of all electric, gas distribution, combination gas
7 distribution and electric utility or generation and transmission cooperative
8 property that is subject to valuation for tax purposes shall be determined
9 in the manner prescribed by this section except for:

10 1. The property of member-owned rural NONPROFIT electric DISTRIBUTION
11 cooperatives.

12 2. Renewable energy equipment that is valued pursuant to section
13 42-14155.

14 B. An electric, gas distribution, combination electric and gas
15 distribution or generation and transmission cooperative plant shall be valued
16 as follows:

17 1. The department shall determine the original plant in service cost.

18 2. The original plant in service cost shall then be reduced by:

19 (a) The related accumulated provision for depreciation.

20 (b) The reduction in value caused by a state or federal governmental
21 order prohibiting total or partial physical use of utility property for
22 periods of more than six months. Any reductions in value caused by a total
23 or partial prohibition of the physical use of utility property shall not
24 exceed the cost of the restricted property less accumulated depreciation.

25 C. The value of construction work in progress is fifty per cent of the
26 amount spent and entered on the taxpayer's accounting records as of December
27 31 of the preceding calendar year as construction work in progress.

28 D. The value of materials and supplies is the total cost of such
29 property as of December 31 of the preceding calendar year.

30 E. The value of environmental protection facilities that are required
31 by law is fifty per cent of the depreciated cost of the facilities.

32 F. The unit value of plant and materials and supplies shall be
33 allocated among the various taxing jurisdictions in proportion to the
34 original cost of the plant and materials and supplies in the respective
35 jurisdiction. The unit value of environmental protection facilities shall
36 be allocated among the various taxing jurisdictions in proportion to fifty
37 per cent of the original cost of the environmental protection facilities in
38 the respective jurisdiction. Construction work in progress shall be
39 allocated on a situs basis separately from the unit value of environmental
40 protection facilities, plant in service and materials and supplies.

41 G. All terms and applications of terms shall be interpreted according
42 to the federal energy regulatory commission uniform system of accounts for
43 electric and gas utilities in effect on January 1, 1989.

44 H. In this section, unless the context otherwise requires:

1 1. "Construction work in progress" means the total of the balances of
2 work orders for an electric, gas distribution, combination electric and gas
3 distribution or generation and transmission cooperative plant in process of
4 construction on December 31 of the preceding calendar year, exclusive of land
5 rights and licensed vehicles.

6 2. "Depreciation" means straight line depreciation over the useful
7 life of the item of property.

8 3. "Environmental protection facilities" means the acquisition or
9 construction cost of any building, structure, equipment, facility or
10 improvement that is designed and constructed solely to control, reduce,
11 prevent or abate:

12 (a) Discharges or releases into the environment of gaseous, liquid or
13 solid substances, heat or noise.

14 (b) Any other adverse impact of an activity on the environment.

15 ~~4. "Generation and transmission cooperative" means a nonprofit~~
16 ~~electric generation and transmission cooperative corporation that is~~
17 ~~organized under or becomes subject to title 10, chapter 19, article 4.~~

18 ~~5.~~ 4. "Materials and supplies" means the cost, including sales, use
19 and excise taxes, and transportation costs to point of delivery in this
20 state, less purchases and trade discounts, of all unapplied material and
21 supplies on hand in this state as of December 31 of the preceding calendar
22 year.

23 ~~6.~~ 5. "Original plant in service cost" means the actual cost of
24 acquiring or constructing property including additions, retirements,
25 adjustments and transfers, but without deducting related accumulated
26 provision for depreciation, amortization or other purposes.

27 ~~7.~~ 6. "Plant" means all property that is situated in this state and
28 that is used or useful for the generation, transmission or distribution of
29 electric power or distribution of natural gas. Plant does not include land
30 rights, materials and supplies and licensed vehicles.

31 7. "TRANSMISSION COOPERATIVE" MEANS A MEMBER-OWNED NONPROFIT ELECTRIC
32 TRANSMISSION COOPERATIVE CORPORATION THAT IS ORGANIZED UNDER OR BECOMES
33 SUBJECT TO TITLE 10, CHAPTER 19, ARTICLE 4.

34 8. "Utility property" means an electric, gas distribution, combination
35 electric and gas distribution or generation and transmission cooperative
36 plant, construction work in progress, materials and supplies and
37 environmental protection facilities.

38 Sec. 2. Laws 2000, chapter 384, section 5 is amended to read:

39 Sec. 5. Voluntary contributions to taxing jurisdictions;
40 computation

41 A. Only in those counties in which the total assessed value of
42 electrical generation property results in CAUSES a decrease in total assessed
43 value of all property in the county of more than ten per cent as a direct
44 result of this act LAWS 2000, CHAPTER 384 AND THIS ACT, for the 2001 and,

1 2002 AND 2003 tax years, voluntary contributions shall be made to offset
2 PREVENT any loss of ASSESSED VALUATION THAT WOULD RESULT IN AN INCREASED tax
3 RATE in any taxing jurisdiction in which the assessed value is reduced FROM
4 THE 2000 TAX YEAR as a direct result of the decrease in electric generation
5 property values of fifteen per cent for tax years 2001 and, 2002 AND 2003
6 pursuant to ~~this act~~ LAWS 2000, CHAPTER 384 AND THIS ACT and implemented in
7 response to the deregulation of electrical generation facilities.

8 B. A voluntary contribution shall be computed as follows:

9 1. For school districts, the contribution shall be based on the loss
10 of revenue as compared to the prior tax years' school budgets as a direct
11 result of ~~this act~~ LAWS 2000, CHAPTER 384 AND THIS ACT.

12 2. For all other taxing jurisdictions, the contribution shall be based
13 on the reduction in assessed value, and commensurate potential increase in
14 tax rate, over that determined for the prior tax year as a direct result of
15 ~~this act~~ LAWS 2000, CHAPTER 384 AND THIS ACT.

16 3. The actual amount of tax dollars that would be lost as a result of
17 the reductions in the 2001 and, 2002 AND 2003 tax years shall be computed and
18 shall be paid to the county treasurer on or before August 1 of each such tax
19 year. Those amounts shall be used to reduce the tax rates for the 2001, 2002
20 and 2003 tax years, respectively. For tax years ~~2003 and~~ YEAR 2004, the
21 ~~voluntary contribution under this section shall be equal to the amount~~
22 ~~computed for the 2002 tax year and shall be paid on or before August 1 of~~
23 ~~2003 and 2004, respectively~~ IF THE TOTAL ASSESSED VALUATION IN THE COUNTY
24 FAILS TO REACH NINETY PER CENT OF THE ASSESSED VALUATION OF THE COUNTY FOR
25 THE YEAR 2000 AS A DIRECT RESULT OF THE DECREASE IN ELECTRIC GENERATION
26 PROPERTY VALUES PURSUANT TO LAWS 2000, CHAPTER 384, A VOLUNTARY CONTRIBUTION
27 SHALL BE PAID TO EACH JURISDICTION AS PROVIDED IN THIS SECTION WITH THE
28 PAYMENT USED TO REDUCE THE TAX RATES FOR THE 2004 TAX YEAR.

29 C. Payment of the sums determined by this section shall be made by the
30 owners of those electric generation facilities in the affected taxing
31 jurisdictions that have benefited from the reduction in value as a result of
32 deregulation. Any other company engaged in the generation of electricity
33 shall also make a voluntary contribution to the affected taxing
34 jurisdictions, but the total voluntary contribution shall not exceed that
35 amount computed in accordance with this section.

36 Sec. 3. Computing valuation of electrical generation facilities
37 for tax year 2003

38 Notwithstanding sections 42-14151, 42-14152, 42-14154, 42-14155 and
39 42-14156, Arizona Revised Statutes, the department of revenue shall compute
40 the valuation of electric generation property for tax year 2003 as follows:

41 1. For existing electric generation plants or units that the
42 department valued for tax year 2002, the valuation shall be the final tax
43 year 2002 full cash value.

1 2. For new electric generation plants or units that were first placed
2 into commercial service from and after December 31, 2000 through December 31,
3 2001, the department shall compute the valuation pursuant to section
4 42-14156, Arizona Revised Statutes.

5 Sec. 4. Allocation of valuation of electrical generation
6 facilities for tax year 2003; definitions

7 A. The valuation of property computed under section 3 of this act for
8 purposes of tax year 2003 shall be allocated among the taxing jurisdictions
9 as follows:

10 1. Combine the values for plant in service and materials and supplies
11 with the value of electric generation facilities for the taxpayer.

12 2. Combine the original plant in service cost and materials and
13 supplies with the original cost of electric generation facilities for the
14 taxpayer.

15 3. Allocate the value determined under paragraph 1 of this subsection
16 among the taxing jurisdictions in proportion to the original cost determined
17 under paragraph 2 of this subsection.

18 B. Notwithstanding section 42-14154, subsection F, Arizona Revised
19 Statutes, for purposes of tax year 2003:

20 1. The unit value of environmental protection facilities shall be
21 allocated among the various taxing jurisdictions in proportion to fifty per
22 cent of the original cost of the environmental protection facilities of the
23 taxpayer in the respective jurisdiction.

24 2. Construction work in progress shall be allocated on a situs basis
25 separately from the unit value of environmental protection facilities.

26 C. For the purposes of this section, "construction work in progress",
27 "environmental protection facilities", "materials and supplies" and "original
28 plant in service cost" have the same meaning prescribed in section 42-14154,
29 Arizona Revised Statutes.

30 Sec. 5. Report for tax year 2003; deadline; penalty

31 A. Notwithstanding section 42-14152, Arizona Revised Statutes, on or
32 before July 1, 2002 each company that owns electric generation property that
33 was valued by the department for tax year 2002 shall file a report with the
34 department of revenue, under oath, stating the information that would
35 otherwise be required for purposes of determining the full cash value of the
36 electric generation property for tax year 2003 pursuant to section 42-14156,
37 Arizona Revised Statutes.

38 B. For new electric generation plants or units first placed in
39 commercial service between December 31, 2000 and December 31, 2001, reports
40 shall be filed with the department of revenue pursuant to section 42-14152,
41 Arizona Revised Statutes.

42 C. The director of the department of revenue may extend the time for
43 filing the report or waive a portion of the required information on written
44 request and at the director's discretion.

1 D. If a company fails to file the information as required by this
2 section, the department shall assess a penalty in the amount of one thousand
3 dollars per day the company fails to file the report beyond the due
4 date. The director may abate the penalty for reasonable cause.

5 Sec. 6. Laws 2000, chapter 384, section 7 is amended to read:

6 Sec. 7. Delayed repeal

7 1. LAWS 2000, CHAPTER 384, section 4 of ~~this act~~, relating to
8 computing the valuation of existing generation properties for tax years 2001
9 and 2002, is repealed from and after December 31, 2002.

10 2. LAWS 2000, CHAPTER 384, section 5 of ~~this act~~, relating to the
11 voluntary contribution to taxing jurisdictions, is repealed from and after
12 December 31, 2004.

13 3. LAWS 2000, CHAPTER 384, section 6 of ~~this act~~, relating to the
14 department of revenue report, is repealed from and after December 31, 2002.

15 4. SECTION 3 OF THIS ACT, RELATING TO THE VALUATION OF ELECTRIC
16 GENERATION PROPERTY FOR TAX YEAR 2003, SECTION 4 OF THIS ACT, RELATING TO THE
17 ALLOCATION OF VALUATION FOR PURPOSES OF TAX YEAR 2003 AND SECTION 5 OF THIS
18 ACT, RELATING TO REPORTING REQUIREMENTS, ARE REPEALED FROM AND AFTER DECEMBER
19 31, 2004. THE REPEAL OF SECTIONS 3, 4 AND 5 OF THIS ACT DOES NOT AFFECT ANY
20 LIABILITY FOR TAX, PENALTY OR INTEREST ACCRUED PURSUANT TO THOSE SECTIONS.

21 Sec. 7. Retroactivity

22 This act is effective retroactively to from and after December 31,
23 2001.

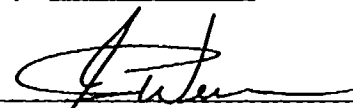
APPROVED BY THE GOVERNOR MAY 20, 2002.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 20, 2002.

Passed the House February 12, 2002,

by the following vote: 59 Ayes,

0 Nays, 1 Not Voting

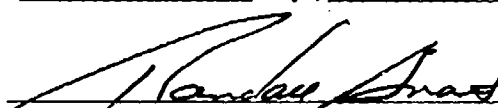

Speaker of the House

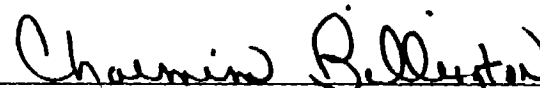

Chief Clerk of the House

Passed the Senate May 2, 2002,

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting


President of the Senate

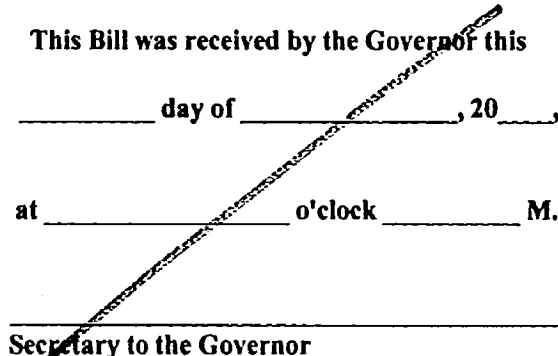

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor of this

 day of , 20 ,

at o'clock M.


Secretary to the Governor

Approved this day of

 , 20 ,

at o'clock M.


Governor of Arizona

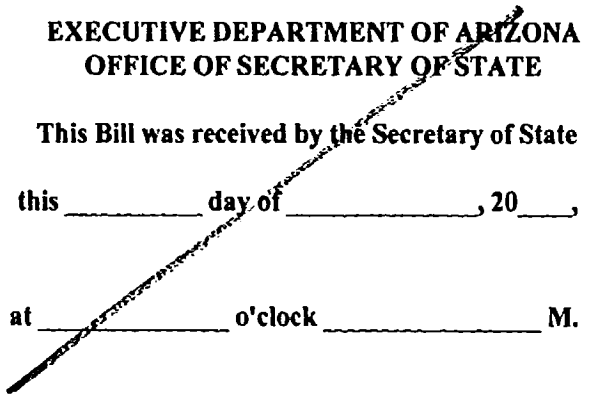
H.B. 2063

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this day of , 20 ,

at o'clock M.


Secretary of State

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

May 15, 2002,

by the following vote: 52 Ayes,

6 Nays, 2 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

15 day of May, 2002

at 3:00 o'clock P M.

[Signature]
Secretary to the Governor

Approved this 20 day of

May, 2002,

at 10:48 o'clock 9 M.

[Signature]
Governor of Arizona

H.B. 2063

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 20 day of May, 2002,

at 3:54 o'clock P M.

[Signature]
Secretary of State